

Get Yields of 3-7% From These 3 Transport Stocks

Description

As a dividend investor, I am always on the lookout for stocks with high and safe yields that can boost my portfolio's returns, and after a recent search of the transportation sector, I came across three very intriguing opportunities. Let's take a quick look at each, so you can determine if you should buy one of them today.

1. Exchange Income Corporation

Exchange Income Corporation ([TSX:EIF](#)) is a Canadian-based corporation that is focused on investing in profitable, well-established companies with strong cash flows in the aviation and manufacturing industries. Its transportation-related subsidiaries include Bearskin Lake Air Service, Calm Air International, Keewatin Air, and Perimeter Aviation.

EIC currently pays a monthly dividend of \$0.16 per share, or \$1.92 per share annually, which gives its stock a yield of about 6.8% at today's levels.

It is also important to make two notes.

First, the company has raised its annual dividend payment every year since 2011, resulting in five consecutive years of increases, and its 10.3% hike in August 2015 has it on pace for 2016 to mark the sixth consecutive year with an increase.

Second, I think EIC's very strong growth of free cash flow less maintenance capital expenditures, including its 89.9% year-over-year increase to \$3.02 per share in fiscal 2015, and its reduced payout ratio, including 60% in fiscal 2015 compared with 106% in fiscal 2014, will allow it to announce another dividend hike when it reports its first-quarter earnings in May.

2. TransForce Inc.

TransForce Inc. (TSX:TFI) is Canada's leading provider of trucking and logistics services, and it is one of the largest in the United States. Its subsidiaries include Clarke Road Transport, Transport America, Contrans, All Canadian Courier, and E&L Logistics.

TransForce currently pays a quarterly dividend of \$0.17 per share, or \$0.68 per share annually, which gives its stock a yield of about 3% at today's levels.

It is also important to make two notes.

First, the company has raised its annual dividend payment every year since 2011, resulting in five consecutive years of increases.

Second, I think TransForce's very strong growth of free cash flow, including its 18.8% year-over-year increase to an adjusted \$2.91 per share in fiscal 2015, and its reduced payout ratio, including 23.4% in

fiscal 2015 compared with 24.7% in fiscal 2014, will allow it to raise its dividend when it reports its first-quarter earnings next week.

3. Mullen Group Ltd.

Mullen Group Ltd. ([TSX:MTL](#)) is one of the leading providers of trucking and logistics services in Canada, and it provides a wide range of specialized transportation and related services to the oil and natural gas industries in western Canada. Its subsidiaries include Bernard Transport, Cascade Carriers, Mullen Trucking, Heavy Crude Hauling, and Treo Drilling Services.

Mullen currently pays a monthly dividend of \$0.08 per share, or \$0.96 per share annually, which gives its stock a yield of about 6.8% at today's levels.

It is also important to make two notes.

First, the company reduced its dividend by 20% from \$1.20 per share annually to its current rate of \$0.96 per share annually beginning with its January 2016 payment. This move was made to maintain its strong balance sheet given the challenges its oil and natural gas services subsidiaries have faced as a result of the steep decline in commodity prices over the last year.

Second, in the press release announcing the dividend cut, Mullen's chief executive officer stated that the company could have maintained its \$1.20 dividend rate in 2016, but that doing so would not have provided the margin of safety that he and the board of directors found necessary, and he went on to state that the dividend adjustment was "temporary."

Although a dividend cut is never something an investor likes to see, Mullen still has a very high dividend yield, and I think it's safe given the company's ample free cash flow generation and the strength its trucking and logistics segment has shown, including its record results in fiscal 2015.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)
2. TSX:MTL (Mullen Group Ltd.)
3. TSX:TFII (TFI International)

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Date

2025/08/18

Date Created

2016/04/13

Author

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